



NEWCASTLE JOCKEY CLUB LIMITED
(A COMPANY LIMITED BY GUARANTEE)
ABN 13 000 002 513



NEWCASTLE JOCKEY CLUB

Annual Report
2016 - 2017

Newcastle Jockey Club
thanks the following Partners
for their contribution throughout the year



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CHAIRMAN'S REPORT



Geoffrey Barnett
Chairman

Dear NJC Members,

On behalf of the Board of Directors I take much pleasure in presenting my Chairman's message for the 2016/17 Newcastle Jockey Club Annual Report.

I would like to thank the NJC Directors for their support during the year, including Paul Leaming (Vice Chairman and Finance/Risk Committee Chairman), Bill Moncrieff, Rob Dan, Richard Sonnichsen, Mike Hadaway and Brian Judd.

The individual contributions not only in time, but in expertise and knowledge, that each of these Board members bring to your club should be commended. Bill Moncrieff continues to support and attend the Hunter North West District meetings as our Cessnock representative.

NJC Members, owners, jockeys, trainers and their staff are also to be congratulated on the way they have continued to support our Newcastle and Cessnock tracks during the upheaval caused by the significant track upgrades that are now completed. We thank you all for your patience and understanding.

CEO Matt Benson has overseen many major developments and changes at the club during the year and you will see by the detail in Matt's report, that he has been very busy with a range of significant issues.

The Board is fully aware that the Club overspent its budget during 2016/2017. There have been numerous non-negotiable issues that required attention and significant additional funding during this period including the new tracks, associated support infra-structure and services, work health and safety, recruitment/human resources, repairs and maintenance, water for irrigation and the launch of our new course proper.

In addition, we committed to a strategic re-branding and separation of the Club and the Newcastle Racecourse to

coincide with the Newcastle Newmarket meeting in March - as well as several support events including the Hall of Fame night and an industry red-carpet cocktail party to celebrate our wonderful new facility and also thank industry participants and sponsors.

And just on the Newcastle and Hunter Racing Hall of Fame - I don't believe I've ever been to a function that has so successfully brought the Newcastle and Cessnock racing communities together in such a positive and entertaining atmosphere.

I strongly believe all the above has been warranted in the context of a racecourse re-development that cost Racing NSW \$11.2m and the club at least another \$3m over the journey. Consequently, capital expenditure and general running costs have been seriously cut to ensure our club returns to positive figures in this current financial year- 2017/18.

The current financial position, after just two months of trading, is significantly ahead of budget and we are most confident these results will continue to improve as the year progresses. The whole NJC team is fully focused and committed to ensuring this positive outcome and to set the club up for an exciting period.

I wish you all the best for the upcoming Spring Racing and thank you for your ongoing support of our Club.

Again congratulations to all that make this club what it is and let us all look forward to enjoying the Newcastle and Cessnock racing and entertainment facilities and a positive outcome for all.

A handwritten signature in black ink, appearing to read 'G Barnett'.

Geoffrey Barnett
Chairman
Newcastle Jockey Club

BROADMEADOW GROUP 3 AND CESSNOCK FEATURE WINNERS AND PLACE GETTERS FOR 2017

XXXX GOLD NEWCASTLE CUP (Group 3) Friday September 15, 2017

	Horse	Jockey	Trainer
WINNER	BROADSIDE (NZ)	Gai Waterhouse & Adrian Bott	Tim Clark
2nd	Auvray (FR)		
3rd	Admiral Jello		

AUSTRALIAN BLOODSTOCK CAMERON HANDICAP (Group 3) Friday September 15, 2017

WINNER	GOT UNDERS	Jay Hopkins	Tim Clark
2nd	Sound Proposition (NZ)		
3rd	Spectroscope (USA)		

NBN NEWS NJC 3YO SPRING STAKES (Group 3) Friday September 15, 2017

WINNER	ASTORIA	James Cummings	Tye Angland
2nd	Merovee		
3rd	Primitivo		

YARRAMAN PARK TIBBIE STAKES (Group 3) Friday September 15, 2017

WINNER	ZANBAGH	John P Thompson	Hugh Bowman
2nd	Perfect Rhyme		
3rd	Hetty Heights		

2017 NEWMARKET HCP (Group 3) Friday March 17, 2017

WINNER	HAPPY CLAPPER	Patrick Webster	Blake Shinn
2nd	Got Unders		
3rd	Kellyville Flyer		

CEO REPORT



Matthew Benson
Chief Executive

It has been a very busy year at the club and certainly a lot of changes have been introduced both on and off the track. Most notably, our new Strathayr course proper was opened in March and hosted our Newcastle Newmarket meeting. Somewhat ironically, the day was wet, as if to test the drainage prowess that the new sand profile provides. The course came through the meeting with flying colours and, thanks to Racing NSW's vision and financial support, we can now boast a track that should be without peer in the country when it comes to drainage and fairness.

On the subject of the track, obviously you don't just build it and the job's done. There has been a steep learning curve for all stakeholders as we grapple with a largely new sand-profile technology to racing in this state. The club has also had to make a significant investment in ancillary structures and facilities, machinery, irrigation systems and upgraded security to ensure it is as well-kept and safe as possible. To that end, new perimeter fencing, running and site rails, security gates, steward's towers and specialised machinery was all required. These are nearly all one-off expenses, but none-the-less, expenses that had to be incurred as we set-up the club for life with a new course proper.

The track's first full summer was also one of the driest on record, so our water charges for irrigation also doubled compared to previous years. As an example, and as you can see in the graph over the page (kindly provided by Hunter Water), water usage in February this year averaged out at nearly 1 megalitre per day – a near five time increase on usual daily consumption: There is no question that both water security and future irrigation costs are issues that must be top priority for both the club and the industry, and it is with that in mind that the club is currently working through supply and storage options for the future with Hunter Water. Let's hope there is a genuine desire to

better utilise the significant quantities of treated water that are currently sent out to sea and potentially develop a sustainable community asset in the process. A true win – win.

Whilst an exceptional facility for us to host racing, the new course proper is more expensive to run and has inevitably changed the focus of the club as far as resource allocation and staffing. A consequent re-structure of the club has facilitated a saving of \$200,000+ per year in staff expenses and we believe we have achieved the right balance between service, efficiencies and profitability.

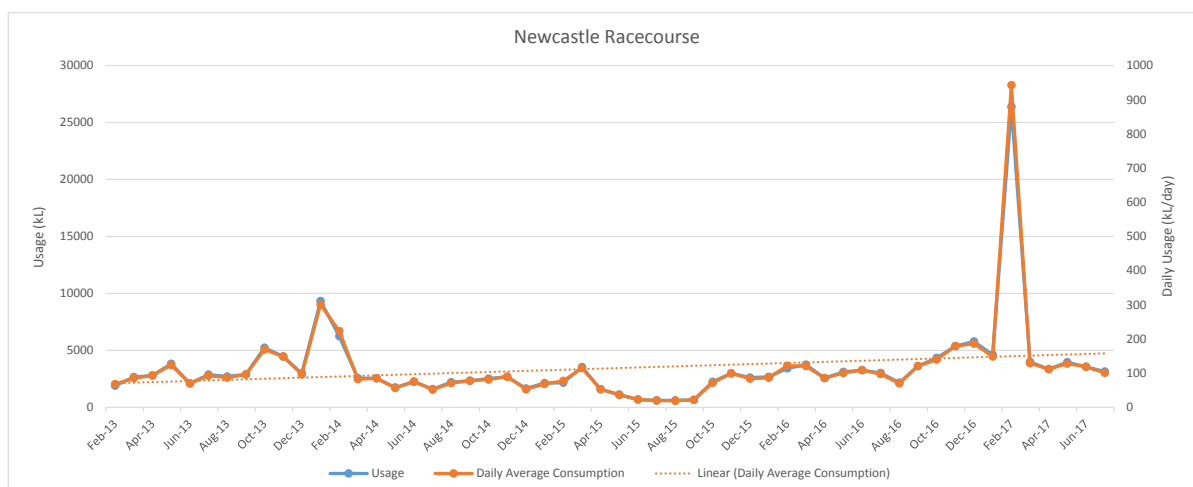
This is always a hard-balancing act, but one that we are working very hard to achieve as well as possible. We are not open for business every day or indeed every weekend, so any comparisons with Pubs and Clubs are spurious, at best. We cannot, and will never be able to, compete on retail prices with outlets that are commercially founded on gaming machine dividends.

This oft used comparison is fatally flawed and only serves to illustrate the inadequate job the industry has done historically in properly explaining to stakeholders the quantum difference between the realities and purpose of the business we run and that of other licensed premises.

It was a priority for the club to give some patron facilities an overhaul in the lead up to and during the opening of the new track. To better service the betting ring area, and to give both the public and industry participants a superior facility, the Newmarket Bar & Bistro was renovated and re-opened.

In addition, the old Broadmeadow Bar was totally renovated and re-opened for the 2016 Spring Carnival as 'The Ascot Bar' – to acknowledge and celebrate the efforts of Paul Perry and Choisir at Royal Ascot in 2003. This venue has subsequently exceeded all expectations and we have consistently doubled bar-

CEO REPORT CONT.



Newcastle Racecourse water usage February 2013 - June 2017 ref: Hunter Water 2017

takings in the facility since its re-birth. It is also getting significantly better support than in the past on even our usually quiet days.

We purchased and installed the new Stables Marquee adjacent to the mounting yard so that we have that function venue now available all year round. At the same levels that have been consistently spent on hiring such a facility in the past – the club will have the new structure paid for in three years – or possibly less. We are delighted with the level of support through our busy times, and most pleasing are the Christmas bookings through Spring that are locked in now.

The club also had no choice but to make a significant investment to switch from old analogue boxes to digital flat-screen monitors throughout the course. As you would be aware, ancient analogue TV's are not even taken from roadside hard-waste these days – so the upgrade was required to improve both viewer experience and to comply with new broadcast technology requirements. Flat screen monitors were also fitted to all tables in Chevals to both improve patron experience and encourage on-course wagering activity on all racing venues during the afternoon.

As one would expect at any ageing racecourse, there were additional and significant repairs, maintenance and upgrades required around the facility and these included a new gas hot-water system and plumbing throughout the jockey's room and to the Pavilion, air-conditioning in the trackside marquee, demolition of the old fire-house, and the conversion of the redundant Darling's Café to a staff and industry meeting and lunch room - to name but a few. There was also the requirement for the club to convert

a portion of the old Darlings Cafe to a larger rest-come treatment room for race and event days when there are bigger crowds in attendance.

We trialled four twilight meetings last summer with the last race conducted around 6.30pm and saw a 25% increase in off-course turnover as a result. This means that the club effectively generated an extra meeting's worth of turnover by running the races slightly later in the day – which makes perfect sense during the better weather and daylight saving period. This, together with a focus on running the largest fields at the end of the program, saw our share of total Provincial Club turnover rise from 24.7% in 2015/16 (\$46.87m) to 26.5% (\$50.02m) this season.

Whilst there is no promise of a direct 'payout' to the club because of this increase, it did see our percentage of distributions increase from 23.63% (\$5.91m) in 2015-16 to 25.29% (\$6.57m) in 2016-17. So, it is incumbent on us to make every effort to maximise turnover on our racing product, and bolster our #1 standing in the Provincial rankings. We therefore intend to run several twilight meetings again this summer on the back of these convincing statistics.

A major issue the Provincial Clubs are all currently battling is declining field sizes. In the past four years, Provincial field size averages have declined from 9.73 starters per race in 2013-14 to 8.51 in 2016-17. Whilst only a 12.5% decline on the face of it, the trend appears to be accelerating rapidly, and it is not uncommon to see multiple races on a Provincial program with less than 6 runners. This has a debilitating effect on both the turnover and the spectacle, so the Provincial Clubs need to work with Racing NSW as an absolute priority to arrest this slide and get our field sizes back 'on track'.

CEO REPORT CONT.

Reassuringly, Racing NSW embarked on a thorough strategic planning process involving several industry forums at the commencement of our new racing season. We look forward to that review identifying Provincial field sizes as a key issue, but other topics that I believe could also be considered include:

- A stock-take of current training facilities throughout NSW and an identification of where new training centres should be developed in the future and how they may be funded;
- Some clarity as to what the cost of abandoned meetings is to the NSW industry, and an objective review of what options exist to mitigate these losses in the future;
- A fresh start with race programming to reduce the date clashes that currently exist between clubs that are located relatively close to one another;
- Trial the running of seven (7) race Provincial programs for \$35,000 per race instead of eight (8) race programs for \$30,000 per race to potentially ease pressures on horse numbers and to increase the incentive for owners and trainers to compete at Provincial meetings;
- and exploring some race series options that are restricted to Provincial horses with finals being rotated around the clubs.

On a local note, the continued success of Newcastle based trainers has been a real highlight of the recent past and is something the local community should be duly proud. The feats of our Novocastrian participants reflect a group punching well above their weight on the national stage, and we can only look forward to their continued success. Seasoned campaigners like Paul Perry and Kris Lees need no introduction, but Ben Smith and Jay Hopkins are two young guns who have emerged as big talents and we wish them all well.

Australian Bloodstock are another local success story. Jamie Lovett and Luke Murrell are huge supporters of local racing and the NJC, but it is their unprecedented syndication success on the Australian and International scenes which make their deeds especially noteworthy. Yet again we roll into a Spring Carnival that will be peppered with champions carrying their unique colours – so let's all hope the white horseshoe and black and white checked sleeves and cap salute throughout the big days coming up in both Sydney and Melbourne.

The club injected an additional \$50,000 into two of our 'previously' \$125,000 Group 3 races last season, including supporting the one-off move of the Spring Stakes to Randwick in February due to its inability to be run at 1600m on the Beaumont track. The, now \$150,000 race, was coincidentally taken out by Invincible Gem from the Lees Stable.

In addition, an increase to \$150,000 for our Newcastle Newmarket as the headline act and in support of the grand opening of our new track in March. The Newmarket's Group status was significantly franked by the win of Happy Clapper – whom we all now know went on to win the recent Group 1 Epsom Handicap.

I would also like to take this opportunity to thank Gary Harley for his commitment to the NJC. He is a tireless worker for the club and the industry and not a week goes by where Gary isn't looking out for something for the club to consider in the future. The launching of the Newcastle and Hunter Hall of Fame was the brainchild of Gary and is an example of those mental gymnastics, and all those who attended that evening will attest to again, how proud our local industry should be of the true champions and indeed legends of our industry hailing from the Hunter Region. The Club largely exists to promote these things

CEO REPORT CONT.

- as is described in the first 'Object' of the NJC in our constitution... "the preservation and fostering of the ideals and traditions of thoroughbred racing and thoroughbred breeding."

There could not have been a better way for the Club to fulfil this duty than creating and launching our new Hall of Fame – thanks to Gary Harley. I should also note the hard work of Brian Judd, Sam North, Greg Radley and Ray Thomas in bringing the Hall of Fame to fruition.

Having come through such a period of change for the club, it is time to take stock and commit to a period of accumulation given the costs involved with the aforementioned projects. As indicated, almost every dollar recently spent has been on one-off costs to complete the track, improve facilities or bring our internal systems and protocols up to speed. Our budgeting, reporting and financial checks and balances have been totally overhauled and our new Financial Controller, Oliver Connolly, has been resolute in bringing a new level of measurement and transparency to the table. A breath of fresh air!

Glynn Haslam, our (relatively) new General Manager of Hospitality Operations, has worked tirelessly also to overhaul our Functions and Events Department, and together with his new team and our 'Senpos' © point of sale system, we now have the resources and tools to vastly improve efficiencies and margins in this critically important area as well. With Hospitality distributions representing just short of 20% of the Club's total income, it is imperative that we ensure this area of our business is sustainably profitable.

I would like to thank all of the staff for their commitment during this period of tumultuous change, and look forward to working with them all as we focus on this period of

consolidation. There is still fine-tuning required, but significant ground-work has now been completed for the future.

Congratulations and all the best to Peter Birch on his recent retirement – and many thanks for his tireless efforts to bring the new track to life. Thankyou also to the NJC Directors for their support during a busy and challenging year.

In closing, I would like to make special mention of Geoff Barnett and acknowledge his ongoing commitment to the club and racing generally. The vast majority do not see the effort both Geoff and Maureen put in to representing the club and contributing to every aspect of the life of the NJC. I know how much racing means to Geoff and we are all fortunate to have his passion and boundless energy working for us.

I look forward to being part of a revitalised NJC team and thank all members for their continued involvement. I know that change can be challenging at times, but neither the club or the industry are time capsules – we are part of a dynamic industry working in a very competitive environment that throws up constant challenges, but I am confident that we are heading in the right direction and we are all committed to ensuring a profitable and sustainable future for the NJC.



Matthew Benson
Chief Executive
Newcastle Jockey Club

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

NEWCASTLE JOCKEY CLUB LIMITED

A.C.N. 000 002 513

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FINANCIAL REPORT

30 JUNE 2017

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FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS' REPORT

Your Directors present their report on the Company for the financial year ended 30 June 2017.

DIRECTORS AND COMPANY SECRETARY

The names of Directors in office at any time during or since the end of the year are:

Name	Experience and Special Responsibilities
Geoffrey Barnett (Chairman)	Elected to NJC Board in October 1999 Appointed Chairman of NJC in November 2011 Member of NJC Finance and Risk Committee Managing Director and CEO of Minco Tech Australia Pty Limited
Paul Leaming B.Bus, FCPA (Vice-Chairman)	Appointed to NJC Board in March 2013 Chairman of NJC Finance and Risk Committee Former CFO for AMP
William Moncrieff	Elected to NJC Board in October 2005 Member of NJC Finance and Risk Committee Managing Director of Steel Fabrication Company
Michael Hadaway Dip. BM	NJC Director 2011-2015 and re-elected in November 2016 Member of NJC Finance and Risk Committee Regional Manager for Security Company
Robert Dan B.A, Dip. Teach	Elected to NJC Board in May 2012 Member of NJC Finance and Risk Committee Retired Head Teacher of Mathematics
Richard Sonnichsen	Appointed to NJC Board in March 2013 Building and Property Manager of Godolphin
Brian Judd	Appointed to NJC Board in November 2016 Former CEO of Racing NSW Country, Newcastle Jockey Club and other sporting clubs
Helen Wild B.Com, FCPA, CIA, FAICD, JP	Appointed to NJC Board in March 2013 (retired 29 November 2016)

The Company Secretary is Mr Matthew Benson. Mr Benson was appointed to this position on 12 July 2016.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Eligible	Attended
Geoffrey Barnett (Chairman)	13	12
Paul Leaming (Vice-Chairman)	13	11
William Moncrieff	13	13
Michael Hadaway	9	8
Robert Dan	13	13
Richard Sonnichsen	13	11
Brian Judd	9	9
Helen Wild	4	4

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FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were:

- a) the carrying on of the business of a race club at all of its branches; and
- b) the provision of a racecourse or racecourses at Newcastle (Broadmeadow) and at Cessnock and to provide training facilities for horses.

There were no significant changes in the nature of those activities during the year. These activities, in the opinion of the Directors, will assist in achieving the Company's objectives.

REVIEW AND RESULTS OF OPERATIONS

The Newcastle Jockey Club has recorded a loss of \$709,881 for 2016/17 compared to a profit of \$7,443,795 for 2015/16. After accounting for Other Comprehensive Income, the Club recorded Total Comprehensive Income attributable to members of (\$647,169) compared to \$966,169 for the previous year.

During 2015/16 and 2016/17, the Club recorded a number of transactions that are not considered by the Directors to reflect the underlying performance of the Club's operations. These include:

- The receipt of Racecourse Redevelopment Funding of \$88,551 (2015/16: \$6,564,448).
- The revaluation of the Club's investment properties in the amount of \$360,000 increment (2015/16: \$527,320 increment).
- The Club lodged an insurance claim for damage incurred during the April 2015 storms in the 2014/15 year. A payment of \$400,000 was received in June 2015 and was recognised as income in the 2014/15 year. The corresponding expenses and asset replacement costs recognised in 2014/15 were \$62,394, resulting in a net impact on the underlying performance of \$337,606. A further payment of \$143,164 was received in May 2016 as final settlement of this claim.

The Directors therefore consider Total Comprehensive Income before Investment Property Revaluations, and after Transfers to Reserves, to be an appropriate measure of the Club's underlying performance. The Club recorded Total Comprehensive Income before Property Revaluation, and after Transfers to Reserves, for 2016/17 of (\$1,007,169) compared to \$324,720 for 2015/16.

COMPANY OBJECTIVES

The Company's primary objective is to be a premier Thoroughbred racing and entertainment destination.

- *Short Term Objectives:*
Provide a modern and appealing facility centred on the sport of Thoroughbred racing for members of the Club, industry stakeholders and visitors.
- *Long Term Objectives:*
Create a superior, multi-purpose venue that maintains a leadership position for provincial Thoroughbred racing and non-racing events. Maintain a sustainable business model underpinned by qualified vision, sound financial management, industry collaboration and diligent corporate governance.

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DIRECTORS' REPORT

STRATEGIES

The principal strategies of the Company include:

- Operate as a surplus generating enterprise to create cash reserves for reinvestment into the Club, the Thoroughbred industry and the local community. In doing so, adopt a business culture that seeks return on investment supported by comprehensive due diligence, risk management and stakeholder engagement.
- Strive to be a leading Provincial Race Club at Broadmeadow and a leading Country Race Club at Cessnock complete with an integrated strategic plan, facility upgrade program and self sufficient funding model.
- Promote and support the Thoroughbred racing industry.
- Administer all Club activity in line with contemporary governance practices.

PERFORMANCE MEASUREMENT AND KEY PERFORMANCE INDICATORS

The Company measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the Directors to assess the financial sustainability of the Company and whether the Company's short-term and long-term objectives are being achieved. Performance is assessed regularly against previous results, approved budgets and relevant industry benchmarks.

Key Performance Indicators	2017	2016	2015
Total revenue change (year on year)	21.7%	1.3%	-9.6%
Total expense change (year on year)	28.4%	4.9%	-7.6%
Working Capital Ratio	2.15:1	3.09:1	3.00:1
Debt to Equity Ratio	0.05:1	0.05:1	0.07:1
Total revenue derived from Racecourse operations	77%	74%	76%
Food and beverage cost of goods to F&B revenue	40%	33%	31%
Gross profit margin: Bar, Broadmeadow	58%	67%	69%
Gross profit margin: Bar, Cessnock	65%	66%	64%
Gross profit margin: Catering, Broadmeadow	62%	68%	68%
Gross profit margin: Catering, Cessnock	66%	74%	47%

Net Cash used in Operating Activities was \$1.06m in 2016/17 compared to Net Cash provided by Operating Activities of \$1.37m in 2015/16.

LIMITATION OF MEMBER'S LIABILITY

If the Company is wound up, the Company's Constitution states that each member is required to contribute a maximum of \$2 each towards meeting any outstanding obligations of the Company.

Membership Category	Number	Maximum Liability
Full Member	1,028	\$2,056
Honorary Member	75	\$150
Life Member	3	\$6
Total	1,106	\$2,212

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DIRECTORS' REPORT

	Broadmeadow		Cessnock		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Revenue & Other Income						
Advertising & Promotion	627,205	693,147	25,489	47,701	652,694	740,848
Race Day Bar	1,695,225	1,422,514	53,758	46,193	1,748,983	1,468,707
Race Day Catering	1,310,451	1,181,738	28,465	28,190	1,338,916	1,209,928
Racing	14,129,679	11,326,428	2,129,010	1,503,329	16,258,689	12,829,757
Track	816,287	814,675	146,791	140,555	963,078	955,230
Non Race Day Events	120,389	162,998	3,000	-	123,389	162,998
General & Administrative	69,546	15,345	-	-	69,546	15,345
Investment	479,272	535,286	1,560	1,560	480,832	536,846
Racecourse Redevelopment	86,502	6,564,448	-	-	86,502	6,564,448
Insurance Recovery	-	143,146	-	-	-	143,146
	19,334,556	22,859,725	2,388,073	1,767,528	21,722,629	24,627,253
Cost of Goods Sold						
Race Day Bar	(714,828)	(526,402)	(18,815)	(15,912)	(733,643)	(542,314)
Race Day Catering	(496,889)	(376,685)	(9,691)	(7,340)	(506,580)	(384,025)
Non Race Day Events	-	(1,245)	-	-	-	(1,245)
	(1,211,717)	(904,332)	(28,506)	(23,252)	(1,240,223)	(927,584)
Expenditure						
Advertising	(273,919)	(251,960)	(12,321)	(20,822)	(286,240)	(272,782)
Administration	(675,917)	(548,005)	(8,401)	(2,247)	(684,318)	(550,252)
Cleaning	(382,886)	(308,690)	(17,928)	(15,177)	(400,814)	(323,867)
Depreciation	(978,754)	(805,188)	(65,629)	(64,329)	(1,044,383)	(869,517)
Equipment hire	(234,967)	(161,599)	(14,350)	(14,897)	(249,317)	(176,496)
Insurance	(237,965)	(209,329)	(31,499)	(20,651)	(269,464)	(229,980)
Motor vehicle	(36,741)	(38,897)	(9,179)	(8,625)	(45,920)	(47,522)
Promotions	(327,110)	(123,837)	(16,551)	(8,954)	(343,661)	(132,791)
Racebook costs	(108,006)	(119,089)	(6,779)	(3,278)	(114,785)	(122,367)
Raceday expenses	(10,700,570)	(7,996,932)	(1,755,064)	(1,120,471)	(12,455,634)	(9,117,403)
Rates	(236,028)	(130,946)	(12,239)	(12,239)	(248,267)	(143,185)
Repairs and maintenance	(367,244)	(205,009)	(26,927)	(26,216)	(394,171)	(231,225)
Employment expenses	(3,742,388)	(3,508,060)	(297,507)	(278,133)	(4,039,895)	(3,786,193)
Security	(247,196)	(213,807)	(14,767)	(11,993)	(261,963)	(225,800)
Staff expenses	(399,500)	(192,472)	(1,282)	(1,305)	(400,782)	(193,777)
Utilities	(272,904)	(269,570)	(9,164)	(11,762)	(282,068)	(281,332)
Consumables	(25,252)	(7,843)	(133)	(471)	(25,385)	(8,314)
Rental	(5,220)	(5,434)	-	-	(5,220)	(5,434)
Loss on disposal	-	(64,957)	-	-	-	(64,957)
	(19,252,567)	(15,161,624)	(2,299,720)	(1,621,570)	(21,552,287)	(16,783,194)
Profit/(Loss) *	(1,129,728)	6,793,769	59,847	122,706	(1,069,881)	6,916,475
* Before Investment Property Revaluation Increment						
Transfers (to)/from Reserves						
Transfer of Funding to the Racecourse Redevelopment Reserve					(88,551)	(6,564,448)
Transfer of Capital Asset Depreciation from the Racecourse Redevelopment Reserve					151,263	86,822
Total Comprehensive Income before Investment Property Revaluations ^					(1,007,169)	438,849
Investment Property Revaluation Increment					360,000	527,320
Total Comprehensive Income Attributable to Members					(647,169)	966,169
^ The Directors consider Total Comprehensive Income before Investment Property Revaluations and after Transfers (to)/from Reserves, to be an appropriate measure of the Club's underlying performance:						
Total Comprehensive Income before Investment Property Revaluation ^					(1,007,169)	438,849
Adjustment for the impact of the April 2015 storm insurance recovery					-	(114,129)
Underlying Performance of the Club					(1,007,169)	324,720

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DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

LIKELY DEVELOPMENTS

There are no likely developments expected to impact the Company in the future.

DIRECTORS INTERESTS AND BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with a director or with a firm of which they are a member, or with a Company in which they have a substantial financial interest other than as disclosed in Note 17.

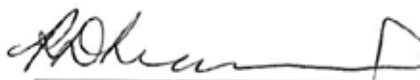
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2017, as required under section 307C of the *Corporations Act 2001*, has been received and can be found on page 6.

Signed in accordance with a resolution of the Directors:



Geoffrey Barnett
Chairman of the Board



Paul Leaming
Chairman of the Finance and Risk Committee

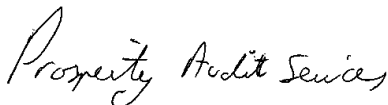
22 September 2017

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

TO THE DIRECTORS OF NEWCASTLE JOCKEY CLUB LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner
22 September 2017
Newcastle

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Services Pty Limited
ABN 90 147 151 228



Chartered Accountants
Liability limited by a Scheme
approved under the Professional
Standards Legislation.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 \$	2016 \$
Revenue	2	21,155,295	17,382,813
Other income	2	927,334	7,771,760
Cost of Goods Sold		(1,240,223)	(927,584)
Expenses			
Advertising		(286,240)	(272,782)
Administration		(684,318)	(550,252)
Cleaning		(400,814)	(323,867)
Depreciation		(1,044,383)	(869,517)
Equipment hire		(249,317)	(176,496)
Insurance		(269,464)	(229,980)
Motor vehicle		(45,920)	(47,522)
Promotions		(343,661)	(132,791)
Racebook costs		(114,785)	(122,367)
Raceday expenses		(12,455,634)	(9,117,403)
Rates		(248,267)	(143,185)
Repairs and maintenance		(394,171)	(231,225)
Employment expenses		(4,039,895)	(3,786,193)
Security		(261,963)	(225,800)
Staff expenses		(400,782)	(193,777)
Utilities		(282,068)	(281,332)
Consumables		(25,385)	(8,314)
Rental		(5,220)	(5,434)
Loss on disposal		-	(64,957)
Total expenses		<u>(21,552,287)</u>	<u>(16,783,194)</u>
Profit/(Loss) for the year	3	<u>(709,881)</u>	<u>7,443,795</u>
Profit/(Loss) attributable to members		<u><u>(709,881)</u></u>	<u><u>7,443,795</u></u>
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Transfer to Racecourse Development Reserve		(88,551)	(6,564,448)
Transfer from Racecourse Development Reserve		<u>151,263</u>	<u>86,822</u>
Total Comprehensive Income attributable to members		<u><u>(647,169)</u></u>	<u><u>966,169</u></u>

The accompanying notes form part of these financial statements.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
AS AT 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION

	Note	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	4	473,361	2,619,242
Trade and other debtors	5	3,039,761	2,312,634
Inventory	6	150,426	135,663
Other current assets		42,202	56,554
		<u>3,705,750</u>	<u>5,124,093</u>
Total Current Assets			
NON-CURRENT ASSETS			
Property, plant and equipment	7	27,024,579	26,681,685
Investment property	8	4,200,000	3,840,000
Financial assets		6,608	5,698
		<u>31,231,187</u>	<u>30,527,383</u>
Total Non-Current Assets			
TOTAL ASSETS		<u>34,936,937</u>	<u>35,651,476</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,020,976	1,285,494
Interest-bearing liabilities	10	281,471	31,694
Employee provisions	11	423,057	342,344
		<u>1,725,503</u>	<u>1,659,532</u>
Total Current Liabilities			
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	10	2,756	34,227
Employee provisions	11	14,470	53,628
		<u>17,226</u>	<u>87,855</u>
Total Non-Current Liabilities			
TOTAL LIABILITIES		<u>1,742,729</u>	<u>1,747,387</u>
NET ASSETS		<u>33,194,209</u>	<u>33,904,090</u>
EQUITY			
Reserve - Property Revaluation	12	1,411,977	1,411,977
Reserve - Racecourse Redevelopment	12	10,871,165	10,933,878
Retained profits		20,911,067	21,558,235
		<u>33,194,209</u>	<u>33,904,090</u>
TOTAL EQUITY			

The accompanying notes form part of these financial statements.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CHANGES IN EQUITY

	Property Revaluation Reserve \$	Racecourse Redevelopment Reserve \$	Retained Earnings \$	Total \$
BALANCE AT 1 JULY 2015	1,411,977	4,456,252	20,592,066	26,460,295
Profit/(Loss) for the year	-	-	7,443,795	7,443,795
Other comprehensive income	-	6,477,626	(6,477,626)	-
BALANCE AT 30 JUNE 2016	1,411,977	10,933,878	21,558,235	33,904,090
Profit/(Loss) for the year	-	-	(709,881)	(709,881)
Other comprehensive income	-	(62,713)	62,713	-
BALANCE AT 30 JUNE 2017	1,411,977	10,871,165	20,911,067	33,194,209

The accompanying notes form part of these financial statements.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CASH FLOWS

	2017 \$ Inflows (Outflows)	2016 \$ Inflows (Outflows)
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other sources	22,493,254	19,972,085
Payments to suppliers and employees	(23,576,009)	(18,653,155)
Interest received	38,083	74,623
Borrowing/finance costs	(17,831)	(24,704)
	<u>(1,062,503)</u>	<u>1,368,849</u>
Net cash provided by / (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(1,387,277)	(7,807,999)
Payments for investment property	-	(12,680)
Proceeds from maturity / sale of investments	(910)	8,401
	<u>(1,388,187)</u>	<u>(7,812,278)</u>
Net cash provided by / (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from grant funding	86,502	6,564,448
Proceeds from borrowings	250,000	-
Repayment of borrowings	(31,694)	(182,557)
	<u>304,808</u>	<u>6,381,891</u>
Net cash provided by / (used in) financing activities		
Net increase / (decrease) in cash and cash equivalents held	(2,145,881)	(61,538)
Cash and cash equivalents at beginning of financial year	2,619,242	2,680,780
	<u>473,361</u>	<u>2,619,242</u>
Cash and cash equivalents at end of financial year	4	2,619,242

The accompanying notes form part of these financial statements.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

The financial statements are for Newcastle Jockey Club Limited as an individual entity, incorporated and domiciled in Australia. Newcastle Jockey Club Limited is a company limited by guarantee.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Newcastle Jockey Club Limited has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards*.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on the date that the Directors' Declaration was signed.

Accounting Policies

a) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates, trade allowances and amounts collected on behalf of third parties.

Rendering of Services

Revenue from the rendering of services is recognised upon the delivery of the service. This revenue includes:

- *TAB Distribution*
The TAB / racing industry agreements set out a formula under which distributions to the NSW racing industry, and amongst various stakeholders are made. Those agreements stipulate that each stakeholder will receive an amount determined after the deduction of industry related expenses such as administration costs associated with running NSW racing's regulatory bodies. The Company recognises this income on a net income basis.
- *Sponsorship*
Sponsorship revenue is recognised based on contractual invoice dates adjusted for the timing of sponsor race day requirements and sponsorship activity.
- *Racing Revenue*
Racing revenue comprises of bookmakers' fees, nominations and acceptances fees. These are recognised on an accrual basis.
- *Membership Subscriptions*
Membership revenue collected in advance and is recognised as revenue in the year in which the membership is held on a straight line basis.
- *Television Rights*
Television rights are recognised on an accruals basis.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Property*

Property revenue is the rental income from investment property, it is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

Sale of Goods

Sales revenue comprises bar and catering revenue and is recognised upon the delivery of goods to customers.

All revenue is stated net of the amount of Goods and Services Tax (GST).

b) Grant Funding and Other Income

Grant Funding

The company received funding from Racing NSW to fund a significant ongoing infrastructure project (the race course redevelopment) during the year. As these payments are outside of the ordinary course of business, they have been recorded as other income in the statement of comprehensive income. The income is recognised when the company obtains control of the contribution or the right to receive the contribution. Refer to note 16 for additional information on grant funding.

Gain or Loss on Sale of Assets

The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed or the transaction is carried out, whichever is the former.

Interest Income

Interest income is the income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Sundry Income

Sundry income is recognised as it accrues.

All income is stated net of the amount of Goods and Services Tax (GST).

c) Income Tax

The Company does not provide for income tax as it is currently exempt under Section 50.45 of the *Income Tax Assessment Act (1997)*.

d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at call, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the balance sheet.

e) Receivables

Accounts receivable and other debtors include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

f) Inventories

Inventories are measured at the lower of cost or net realisable value. Components of cost include the purchase price and, where applicable, any charges in the delivery of inventories.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less, where applicable, any accumulated depreciation and any impairment losses.

Freehold Property

Freehold land and buildings are shown at cost less subsequent depreciation (for buildings) and impairment.

Property, Plant & Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is available for use. The depreciation rates used for each class of asset are as follows:

Asset Class	Depreciation Rate
Buildings	2%
Plant and Equipment	2% to 40%
Motor Vehicles	15% to 25%
Racecourse Improvements	2% to 20%

h) Investment Property

Investment property, comprising residential housing and commercial premises, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is initially measured at cost and subsequently measured at fair value.

The fair value of an investment property is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value of investment properties is determined annually based on a valuation by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the location and category of investment property being valued. Fair values are determined by the valuer using market information, including prices for similar properties in comparable locations. Changes to fair values of investment properties are recognised in profit or loss in the period in which they occur.

In accordance with the requirements of Australian Accounting Standard AASB140 *Investment Property*, when an item of property, plant and equipment is identified as an investment property for the first time, these properties are subject to a market valuation and the revaluation surplus recognised in a revaluation reserve prior to transferring the property from property, plant and equipment to investment properties.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Impairment of Assets

At the end of each reporting period, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset's class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

j) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets will be deemed to be impaired if, and only if, there is objective evidence of impairment as a result of the occurrence of one or more events (a "loss event"), which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors, or a group of debtors, are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter into bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having undertaken all possible measures of recovery, if the management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

k) Accounts Payable

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 45 days of recognition of the liability.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

m) Employee Provisions

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee provisions that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee provisions payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee provisions.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

n) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

p) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

q) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Directors have assessed that no impairment of assets exist at 30 June 2017.

Key judgments

Racecourse Redevelopment Funding

During the year, funding was provided to the Company by way of an interest free, interminable loan from Racing NSW for the purposes of funding the racecourse redevelopment project. The Directors believe that the economic substance of the funding resembles grant income rather than the legal form of a loan. This is primarily due to the absence of a future repayment schedule and the funding being provided for a specific purpose on an interest free basis.

Accordingly, the funding has been recognised in accordance with the recognition criteria in Note 1 (b). Further detail on the funding arrangements has been included in Note 16.

r) New Australian Accounting Standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company has assessed the following pronouncements at this time:

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB15 Revenue from Contracts with Customers (effective for the year ending 30 June 2019)

This standard introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer. Given the nature of the Company's business, the standard is not expected to have a material impact on the Company.

AASB 9 Financial Instruments (effective for the year ending 30 June 2019)

This standard provides revised principles for accounting for financial assets and liabilities: recognition and derecognition, classification, measurement, impairment and hedge accounting. As the Company does not have any material financial instruments affected by the new standard, the standard is not expected to have a material impact on the Company.

AASB 16 Leases (effective for the year ending 30 June 2020)

This standard recognises right-of-use assets and liabilities arising from all leases, with exceptions for low value and short term leases. The Company has entered into a number of operating leases as both a lessee and lessor and accordingly, the standard is expected to have an impact on the Company by recognising a right-of-use asset and the lease liability in the Statement of Financial Position (lessee). Lessor accounting is expected to remain relatively unchanged.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017	2016
	\$	\$
2 REVENUE AND OTHER INCOME		
Revenue:		
Advertising and promotion	652,694	740,848
Race day bar	1,748,983	1,468,707
Race day catering	1,338,916	1,209,928
Racing	16,258,689	12,829,757
Track	963,078	955,230
Non race day events	123,389	162,998
General and administration	69,546	15,345
	<u>21,155,295</u>	<u>17,382,813</u>
Other income:		
Insurance recovery - April 2015 storm	-	143,146
Interest and investment distributions received	38,083	74,623
Investment property income (rent)	441,841	462,223
Gain on revaluation of investment properties	360,908	527,320
Grant funding - Racing NSW	86,502	6,564,448
	<u>927,334</u>	<u>7,771,760</u>
3 PROFIT FOR THE YEAR		
Profit for the year has been determined after:		
a) Expenses		
Interest expense on financial liabilities	17,831	24,704
Bad and doubtful debts	18,379	-
Depreciation of property, plant and equipment:		
Buildings	345,879	310,636
Plant and equipment	277,630	223,835
Motor vehicles	7,659	5,567
Racecourse improvements	413,214	329,479
	<u>1,044,383</u>	<u>869,517</u>
b) Gains or (losses) realised		
Gain or (loss) on revaluation of investment property	360,000	527,320
Gain or (loss) on disposal of property, plant and equipment	-	(64,957)
Gain or (loss) on available for sale financial assets	908	259

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 \$	2016 \$
4 CASH AND CASH EQUIVALENTS		
Cash on hand	112,854	152,450
Cash at bank	360,507	460,060
Term deposit	-	2,006,732
	<u>473,361</u>	<u>2,619,242</u>
5 RECEIVABLES		
CURRENT		
Trade debtors	225,621	143,149
Provision for doubtful debts	(15,835)	(4,957)
	<u>209,786</u>	<u>138,192</u>
NSW TRB debtor	2,656,065	2,044,773
NSW CRC debtor	170,137	85,037
Other debtors	3,772	38,519
Accrued interest	-	6,112
	<u>2,829,974</u>	<u>2,174,441</u>
	<u>3,039,761</u>	<u>2,312,634</u>
<p>The company does not have any significant debts considered "past due". Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the counterparty to the transaction.</p>		
6 INVENTORIES		
CURRENT		
Bar stock - at cost	124,570	98,388
Catering stock - at cost	25,856	37,275
	<u>150,426</u>	<u>135,663</u>

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 \$	2016 \$
7 PROPERTY, PLANT & EQUIPMENT		
Freehold land and buildings - at cost	12,344,056	11,865,953
Less: Accumulated depreciation	<u>(1,996,336)</u>	<u>(1,652,046)</u>
	<u>10,347,720</u>	<u>10,213,907</u>
 Plant and Equipment - at cost	 4,007,530	 3,381,133
Less: Accumulated depreciation	<u>(2,571,976)</u>	<u>(2,294,346)</u>
	<u>1,435,554</u>	<u>1,086,787</u>
 Motor Vehicles - at cost	 97,695	 84,967
Less: Accumulated depreciation	<u>(78,240)</u>	<u>(70,580)</u>
	<u>19,455</u>	<u>14,387</u>
 Racecourse - at cost	 17,046,257	 8,436,607
Less: Accumulated depreciation	<u>(1,915,178)</u>	<u>(110,598)</u>
	<u>15,131,079</u>	<u>8,326,009</u>
 Capital work in progress	 <u>90,771</u>	 <u>7,040,595</u>
 Total property, plant & equipment	 <u><u>27,024,579</u></u>	 <u><u>26,681,685</u></u>

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Movements in Carrying Amounts

Reconciliations of the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below:

For the financial year ended 30 June 2017:

	Land and buildings \$	Plant and equipment \$	Motor vehicles \$	Racecourse \$	Work in progress \$	Total \$
Balance at 1 July	10,213,907	1,086,787	14,387	8,326,009	7,040,595	26,681,685
Additions	581,898	626,397	12,727	114,359	51,896	1,387,277
Transfers *	(102,205)	-	-	7,103,925	(7,001,720)	-
Disposals	-	-	-	-	-	-
Depreciation	(345,879)	(277,630)	(7,659)	(413,214)	-	(1,044,383)
Balance at 30 June	10,347,720	1,435,554	19,455	15,131,079	90,771	27,024,579

* Represents the capitalisation of the Course Proper during the financial year.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 \$	2016 \$
8 INVESTMENT PROPERTY		
Balance at the beginning of the year	3,840,000	3,300,000
Purchase of improvements	-	12,680
Market value adjustments	360,000	527,320
Balance at the end of the year	<u>4,200,000</u>	<u>3,840,000</u>

The company's investment properties were revalued at 30 June 2017 by the independent valuers, Steven Leonard of Wotton Curtis & Partners (Valuer Registration No. 22573) and Nick Cesta of Skelton Valuers (Valuer Registration No. 3324). Valuations were made on the basis of market value for residential properties by comparison to recent market evidence and the capitalisation approach for commercial properties. A revaluation increment of \$360,000 was recognised in the 2017 financial year which was primarily driven by strong growth in the property market for both residential and commercial property.

9 TRADE AND OTHER PAYABLES

CURRENT

Trade creditors and accruals	652,866	955,797
Income received in advance	158,035	175,873
Deposits held	210,075	153,826
	<u>1,020,976</u>	<u>1,285,494</u>

10 INTEREST BEARING LIABILITIES

CURRENT

NAB draw down facility	250,000	-
Hire purchase liability	31,471	31,694
	<u>281,471</u>	<u>31,694</u>

NON-CURRENT

Hire purchase liability	2,756	34,227
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The Company has a loan facility in place with National Australia Bank for \$1,300,000 which was drawn down at 30 June 2017 by \$250,000 (2016: undrawn). This short-term loan was repaid in full on 8 August 2017. Hire purchase liabilities are secured by the underlying financed asset. The Company also has an equipment finance facility in place with National Australia Bank for \$350,000 which was drawn down at 30 June 2017 by \$34,227 (2016: \$65,921).

(a) Hire purchase commitments payable:

Not later than one year	33,336	36,372
Later than one year but not later than five	2,777	36,109
Minimum hire purchase payments	36,113	72,481
Less: future finance charges	(1,886)	(6,560)
Total hire purchase liability	<u>34,227</u>	<u>65,921</u>

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 \$	2016 \$
10 INTEREST BEARING LIABILITIES		
(b) Minimum operating lease commitments not recognised on the statement of financial position (excl. GST):		
Office/IT equipment	63,955	9,625
Point of sale system and equipment	193,880	-
	<u>257,835</u>	<u>9,625</u>
11 PROVISIONS		
CURRENT		
Provision for annual leave	267,018	185,631
Provision for long service leave	156,039	156,713
	<u>423,057</u>	<u>342,344</u>
NON-CURRENT		
Provision for long service leave	14,470	53,628
a) Aggregate employee entitlements liability	<u>437,527</u>	<u>395,972</u>

The current portion for employee provisions includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

12 RESERVES

(a) Property Revaluation Reserve

The property reserve records revaluations of non-current property, plant and equipment assets.

(b) Racecourse Redevelopment Reserve

The racecourse redevelopment reserve records the amount received from Racing NSW for the racecourse redevelopment project. These amounts are reduced by the depreciation charge for applicable capital assets purchased with the funding each year.

NEWCASTLE JOCKEY CLUB LIMITED
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FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 \$	2016 \$
13 AUDITOR'S REMUNERATION		
Remuneration of auditor for auditing the financial report	27,575	23,400
Other services:		
Provision of accounting services	72,495	-
Agreed upon procedures in review year-to-date transactional data	7,750	-
Tax compilation and advisory services	11,380	3,810

14 CAPITAL COMMITMENTS

The company's Racecourse Redevelopment Project was completed in the current financial year. There are no capital commitments at the reporting date.

15 FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and leases. The carrying amounts for each category of financial instruments, measured in accordance with the accounting policies to these financial statements, are as follows:

Financial Assets

Cash and cash equivalents	473,361	2,619,242
Trade and other debtors	3,039,761	2,312,634
Financial assets (available for sale)	6,608	5,698
	<u>3,519,730</u>	<u>4,937,574</u>

Financial Liabilities

Trade and other payables (excluding income in advance)	862,941	1,109,621
Interest-bearing liabilities	284,227	65,921
	<u>1,147,168</u>	<u>1,175,542</u>

16 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

(a) Racecourse Development Project - Contingent Liability

During the year, funding was provided to the company by way of an interest free, interminable loan from Racing NSW for the purposes of the Racecourse Development project. This loan is only repayable if certain conditions are triggered under the agreement, for example, if the company ceases to operate as a race club.

The Directors are of the opinion that the conditions required to be triggered are unlikely to occur in the ordinary course of business and accordingly, no liability for repayment has been made in the financial report at 30 June 2017. The maximum contingent liability at 30 June 2017 in respect of this loan, excluding GST, amounts to approximately \$11.2m.

(b) Sponsorship Agreement - Contingent Liability

The company has entered into a new agreement with the major sponsor in September 2017. Under the terms of this agreement, any previous shortfall arising from the previous major sponsorship agreement has been waived. This matter has been resolved and accordingly there is no provision recognised in these financial statements.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017	2016
	\$	\$
17 RELATED PARTY TRANSACTIONS		
(a) Key Management Personnel Compensation		
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel. Key management personnel compensation:		
Short term benefits:		
Salaries, wages and allowances	577,675	415,791
Superannuation	54,478	42,728
Non-cash benefits	24,450	26,186
	<u>656,603</u>	<u>484,705</u>
Long term benefits:		
Termination payments	5,795	-
	<u>5,795</u>	<u>-</u>
Total compensation	<u><u>662,398</u></u>	<u><u>484,705</u></u>

The increase in the key management personnel remuneration is primarily due to a number of key management positions being vacant during the prior year.

(b) Related Party Transactions

During the year, Engineering Services Company (a related party of Director, Richard Sonnichsen) provided certain engineering services in conjunction with the Racecourse Redevelopment Project's Control Group (PCG). These services were provided free of charge.

There were no other related party transactions during the 2017 financial year (2016: nil).

18 EVENTS AFTER REPORTING DATE

No matters or circumstances have arisen since 30 June 2017 that have significantly affected or may significantly affect the operations, results or state of affairs of the company.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS' DECLARATION

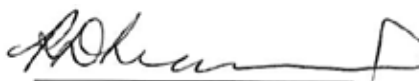
The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 25 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Geoffrey Barnett
Chairman of the Board



Paul Leaming
Chairman of the Finance and Risk Committee

22 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWCASTLE JOCKEY CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Newcastle Jockey Club Limited (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Newcastle Jockey Club Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWCASTLE JOCKEY CLUB LIMITED (CONTINUED)

Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NEWCASTLE JOCKEY CLUB LIMITED (CONTINUED)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES

Luke Malone

LUKE MALONE

Partner

22 September 2017

Newcastle



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[illegible]

[illegible]



NEWCASTLE JOCKEY CLUB

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